



STATE OF CONNECTICUT
OFFICE OF HEALTH CARE ACCESS

M. JODI RELL
GOVERNOR

CRISTINE A. VOGEL
COMMISSIONER

May 19, 2005

Debra R. Cardinali, Esq.
Levett Rockwood, P.C.
33 Riverside Avenue
Westport, CT 06880

RE: Certificate of Need Determination; Report Number 05-30457-DTR
Closure of St. Joseph's Family Life Center in Stamford

Dear Attorney Cardinali:

On March 18, 2005, the Office of Health Care Access ("OHCA") received a request for a Certificate of Need Determination from St. Vincent's Medical Center ("SVMC" or "Hospital"). SVMC is requesting a determination regarding its plan to close the St. Joseph's Family Life Center, LLC ("SJFLC" or "Center") located in Stamford, Connecticut. Additional information was filed in this matter, as requested by OHCA, on April 11, 2005. OHCA has reviewed the matter and finds the following pertinent facts:

1. St. Vincent's Medical Center, an acute care general hospital located at 2800 Main Street in Bridgeport, is a health care facility or institution pursuant to Section 19a-630 of the Connecticut General Statutes.
2. SVMC intends to close SJFLC at the expiration of a sublease on November 29, 2005.
3. In the March 18, 2005 CON Determination request the Hospital indicates that following:
 - a. On December 1, 1995, St. Vincent's Development, Inc. (a sister corporation of SVMC) entered into a Sublease Agreement to lease the premises at 587 Elm Street in Stamford. This sublease terminates on November 30, 2005. St. Vincent's Development has no option to renew this sublease. The leased space covered by this sublease was subsequently subleased by Stamford Health System ("SHS"), which is currently the primary obligor under the sublease. Pursuant to agreements between SVMC and SHS, SHS subleases the space to the Center for an annual rent of \$1.00 per year.

- b. As a “*significant part of the consideration paid by SHS (Stamford Health System) for the purchase of St. Vincent’s ownership interest in Saint Joseph’s Hospital and in connection with other arrangements between the parties, SHS provided \$3,000,000 to St. Vincent’s to be used in St. Vincent’s discretion, to support the mission of serving the poor and underserved. St. Vincent’s has been using these funds to offset the costs of operating the Center although the use of these funds is not limited to this purpose.*”
 - c. The Center provides basic health screening, school and pre-employment physicals, health education and primary care services to indigents (primarily immigrants) in the Stamford community, principally those with no health insurance.”
 - d. SVMC indicates that the Center “*was established as a professional limited liability company, nominally owned by a physician employed by SVMC. As a limited liability company, physicians would provide services under their individual licenses rather than under a hospital license.*”
 - e. The Center currently employs a full-time Executive Director, 1.5 FTE Advanced Practice Nurses, a 20 hour/week Intake Case Management Worker, 1 FTE Clerk Registrar, a half-time Parish Nurse Coordinator, and a ten-hour/week Medical Director/Advisor. All patients seen at the Center are uninsured and/or undocumented and not eligible for any state or federal entitlement programs.
 - f. The Center has medical records for 3,200 patients, and of these, 350 patients are regular patients.
 - g. The Center receives limited income and has operated at a loss since its inception. The Center’s annual operating costs are approximately \$400,000, which includes about \$350,000 for salaries and benefits. To cover its losses, SVMC has “*utilized both principal and interest of the \$3,000,000 provided by SHS*”.
 - h. SVMC is expanding its Parish Nurse Program. This program locates nurses in a parish to provide basic medical screening and health education services to members of that parish.
4. In correspondence filed by SVMC as part of the FY 1999 Annual Reporting filing, SVMC indicates that the Center is a satellite outpatient department of the Hospital and that the Center is not a separate legal organization and its operations are treated in the same manner as all of the Hospital’s other departments. (Source: June 20, 2000 letter to OHCA from Roger Sliby of SVMC)
 5. In the SVMC Annual Reporting filings to OHCA, including the latest one filed in March of 2005 for fiscal year ending 9/30/2004, SVMC continues to report St. Joseph Family Life Center as a Department of the Medical Center.

6. In the April 11, 2005 response to questions, the Hospital indicates the following:
- a. St. Joseph's Family Life Center, LLC is not listed as a satellite of SVMC on SVMC's license.
 - b. SJFLC is treated as a department of SVMC for accounting and bookkeeping purposes. The department activity consists only of operating expenses and miscellaneous fees and does not include any volume statistics, patient revenues, free care or bad debts. Expenses include salaries, which are paid by SVMC for payroll processing convenience.
 - c. Each month, revenue equal to total expenses is recorded to recognize assets released from restricted funds set aside for SJFLC. The net result is "zero" to total income from operations.
 - d. Theresa Kryspin, M.D., the current holder of 100% of the membership interest in SJFLC is an employee of SVMC, who allocates certain of her time to SJFLC. The other employees who provide services to SJFLC are employees of SVMC who are dedicated full time to SJFLC.
 - e. Expenses for salaries that SVMC pays to these employees is charged back to SJFLC, and revenue equal to these expenses is recorded to recognize assets released from restricted funds set aside for SJFLC.
 - f. The following is from the Limited Liability Company Operating Agreement of St. Joseph's Family Life Center, LLC, provided in the April 11, 2005 filing:
 - i. SVMC oversees "*management of the Company by appointing the Manager of the Company and electing the members of the Governing Board of the Company.*"
 - ii. The original member of SJFLC, Dr. Michael H. Summerer, was or is "*the Vice President of Medical Affairs of the Medical Center and part of his employment responsibilities include becoming the sole Member of the Company.*"
 - iii. Any members of SJFLC "*shall be Physicians employed at the Medical Center*".
 - iv. The Governing Board of SJFLC "*shall consist of from three to six persons selected from time to time by the Board of Directors of the Medical Center.*" The Governing Board approves Fundamental Decisions of the SJFLC and chooses and has control over the removal of any Manager of the SJFLC.

- v. Fundamental Decisions which are under the control of the Governing Board include:
1. Change of location or terms of lease agreements;
 2. Admit new Members or assign membership interest;
 3. Modify the Operating Agreement;
 4. Incur major capital expenditures or make commitments to incur expenses;
 5. Make material changes in the nature of the SJFLC business;
 6. Enter into medical, business or investment ventures;
 7. Dissolve the Company;
 8. Sell, exchange, lease mortgage or pledge assets;
 9. Cause SJFLC to be merged with or into other entity;
 10. Incur any indebtedness other than trade payables; and
 11. Make any distributions to Members.
- vi. No member of SJFLC other than a Manager or member of the Governing Board in such person's capacity as such, "*shall take part in the management or conduct of the Company's business or have authority to bind the Company.*"
- vii. No member of SJFLC may Transfer all, or any portion of, or any rights in, the Membership Interest of such Member, except with the prior written consent of the Governing Board, which may be granted or withheld in its sole discretion.
- viii. In an October 29, 2004 letter from SVMC to the current sole member of SJFLC, LLC, Dr. Theresa Kryspin, the following is stated as Dr. Kryspin's "*fiduciary responsibilities to the Medical Center as a Member of St. Joseph's*":
1. Dr. Kryspin, as sole member of SJFLC cannot transfer, pledge or encumber her membership interest without consent of the Governing Board of SJFLC and SVMC.
 2. Dr. Kryspin, as sole member of SJFLC waives any rights to receive distributions from SJFLC and agrees to accept only reasonable compensation for services rendered to SJMC and SJFLC.
 3. Upon any termination of employment with SVMC, SVMC will immediately have the sole right to designate the transferee of the Stock.

From the detailed review undertaken by OHCA in this matter, OHCA determines that the services offered by and at the entity, St. Joseph Family Living Center, LLC., are fully under the control of St. Vincent's Medical Center and that despite the structure created by St. Vincent's Medical Center for the operation of this entity, it appears to operate as a department of the Hospital and under full control of the Hospital.

Therefore, OHCA hereby determines that any termination of the services offered at and by St. Joseph Family Living Center, LLC is a termination of services for St. Vincent's Medical Center, a health care facility or institution. As such, Certificate of Need authorization from OHCA is required in this matter.

OHCA considers the submission of information received on March 18, 2005 as the Letter of Intent for this matter; therefore St. Vincent's Medical Center may file a completed CON application with OHCA between May 17, 2005, and July 16, 2005. The CON application is being mailed to your attention separately.

If you have any questions regarding the above, please contact Karen Roberts, OHCA Compliance Officer at (860) 418-7041.

Sincerely,

Cristine A. Vogel
Commissioner

Copy: Rose McLellan, Licensing Examination Assistant, DHSR, DPH
Kimberly Martone, Supervisor, Certificate of Need, OHCA